

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6542**

**BILL NUMBER: SB 377**

**NOTE PREPARED: Jan 5, 2013**

**BILL AMENDED:**

**SUBJECT:** Scholarship Program Eligibility.

**FIRST AUTHOR:** Sen. Leising

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides that an individual enrolling in grade 8 is eligible for a scholarship from a scholarship program that is certified by the Department of Education.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** This bill would allow an eighth grade student in private school to apply for a scholarship provided by a scholarship granting organization (SGO). Under current statute, an individual enrolling in kindergarten, an individual previously enrolled in a public school, or individuals who previously received a scholarship from an SGO may apply for these scholarships.

The bill could increase the number of students who are eligible to receive a scholarship from an SGO. The scholarships from SGOs are privately funded, but taxpayers may claim tax credits for contributions to SGOs. To the extent that allowing 8<sup>th</sup> grade enrollees to receive scholarships increases contributions to SGOs, the bill could potentially lead to additional tax credits being claimed. Under current law, the amount of credits granted may not exceed \$5.0 M in any fiscal year. The total credits in FY 2013 as of December 14, 2012 was \$974,663.

The bill could also have an *indirect* impact on the state, if a private school student received a scholarship from an SGO in the 8<sup>th</sup> grade and then applied for a Choice Scholarship in the ninth grade since the eligibility for Choice Scholarships (IC 20-51-1-4.5) includes individuals who have received a scholarship from an SGO in

the prior school year. It is unknown how many 8<sup>th</sup> grade enrollees might qualify for a scholarship from a SGO. For the 2012-13 school year, 1,914 students received a scholarship from an SGO before receiving a Choice Scholarship, so the potential impact is probably minimal. The average Choice Scholarship for FY 2013 is about \$3,932.

**Background Information:** Current law provides a nonrefundable tax credit to individuals and corporations that make contributions to a SGO. The credit is equal to 50% of the amount of the charitable contribution, and may be taken against the Individual and Corporate AGI Tax, the Financial Institutions Tax, and the Insurance Premiums Tax. The tax credit may not be carried back or carried forward. Revenue from the Individual and Corporate AGI Tax, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund.

As of August 1, 2012, there were three approved school scholarship programs in the state. Under current statute, besides the residency and income requirements, students eligible for an SGO scholarship must meet at least one of the following conditions:

1. Individual is enrolling in kindergarten.
2. Individual was enrolled in a public school during the preceding school year.
3. Individual received an SGO scholarship in the previous year.
4. Individual received a school scholarship for any preceding year.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Education. Department of State Revenues.

**Local Agencies Affected:**

**Information Sources:** Department of Education School Scholarship website, <http://www.doe.in.gov/improvement/school-choice/school-scholarships-0> , Department of Revenue School Scholarship Credit website, <http://www.in.gov/dor/4305.htm> .

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.